

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
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/094 W

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R 182045Z AUG 77

FM AMEMBASSY PANAMA

TO SECSTATE WASHDC 3245

INFO PANCANAL

USSOUTHCOM

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E.O. 11652: N/A

TAGS: PDEV, ECON, EFIN, PN

SUBJECT: ECONOMIC IMPLICATIONS OF NEW CANAL TREATY

SUMMARY: PRO-GOP NEWSPAPER FORSEES BEGINNING OF GREAT NEW  
ERA OF ECONOMIC PROSPERITY FED BY BENEFITS STEMMING FROM NEW  
TREATY AND AN EXPANDING ROLE OF GOVERNMENT IN ECONOMIC ACTI-  
VITIES. END SUMMARY.

1. RECENT PRESS ARTICLES HAVE REFERRED TO THE ECONOMIC  
BENEFITS WHICH THE SIGNING OF A TREATY WILL BRING TO  
PANAMA. THESE ARTICLES COMMONLY ITEMIZE THE DIRECT CASH  
FLOW--ONE NEWSPAPER HAS CALCULATED THAT DOLLAR BENEFITS FROM  
THE TREATY WILL AMOUNT TO \$2.398 BILLION OVER THE 23 YEARS.  
BUT THEY ALSO POINT OUT THAT THERE ARE ADDITIONAL BENEFITS TO  
BE DERIVED FROM A NUMBER OF INSTALLATIONS, LANDS, AND WATERS  
BEING RETURNED TO PANAMA, INCLUDING INCOME WHICH WILL BE GENERATED  
BY THE DEVELOPMENT OF THE PORTS OF CRISTOBAL AND BALBOA,  
AND THE DEVELOPMENT OF COMMERCIAL ACITVITIES WHICH WILL PASS  
TO PANAMANIAN HANDS THREE YEARS AFTER THE SIGNING OF THE  
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TREATY.

2. OFTEN THE REFERENCES TO THE FINANCIAL BENEFITS FROM THE  
TREATY ARE TIED TO HOPEFUL PROGNOSTICATIONS FOR THE BEGINNING  
OF A MAJOR ECONOMIC RECOVERY. AN EDITORIAL IN THE PRO-GOP  
NEWSPAPER REPUBLICA OF AUGUST 14 CALLS THE COMPLETION OF THE  
NEGOTIATIONS AND THE FORTHCOMING NEW RELATIONSHIPS BETWEEN THE

US AND PANAMA REGARDING THE CANAL AS IMPORTANT FOR ITS ECONOMIC IMPACT AS FOR THE POLITICAL. ONCE THE TREATY IS SIGNED, THE EDITORIAL EXPLAINS, PANAMA WILL BEGIN TO RECEIVE AN ANNUAL FLOW OF MILLIONS OF DOLLARS WHICH, WHILE PERHAPS INSUFFICIENT TO COMPENSATE IN FULL FOR THE ABUSE BORNE BY PANAMA FOR 63 YEARS, WILL NEVERTHELESS PROVIDE LARGE ADDITIONAL RESOURCES FOR FUNDING A NEW ERA OF NATIONAL DEVELOPMENT.

3. THE REPUBLICA ARTICLE GOES ON TO SAY THAT THE STATE ENTERED INTO ECONOMIC ACTIVITIES LARGELY BECAUSE OF THE RECESSION AND TO OFFSET THE CONSEQUENT CONTRACTION IN PRIVATE INVESTMENT, BUT THAT WITH THE AVAILABILITY OF THE NEW FUNDS FLOWING FROM THE CANAL THIS NEW ROLE OF THE GOVERNMENT WILL BECOME INCREASINGLY IMPORTANT, AND IT WILL PROBABLY DIFFER SIGNIFICANTLY FROM THE ECONOMIC ROLE PLAYED BY OTHER LATIN AMERICAN GOVERNMENTS. THE ARTICLE ASSURES THAT THIS PROCESS WILL NEVERTHELESS RESULT IN OPPORTUNITIES FOR THE STRENGTHENING OF PANAMANIAN DEMOCRACY AND FOR THE DEVELOPMENT OF PRIVATE ENTERPRISE ALONG THE LINES OF WESTERN EUROPEAN CAPITALISM UNDER EQUITABLE CONDITIONS, AND FREE FROM SOCIAL UNREST.

4. THE ARTICLE SEES A NEED FOR INCREASED EFFICIENCY IN THE MACHINERY OF GOVERNMENT AND A NEED TO SEEK OUT THE MOST PROMISING AREAS FOR STATE INVESTMENT, BUT NOTES THAT THE GOVERNMENT SEEMS ALREADY EMBARKED ON SUCH A LIMITED OFFICIAL USE

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COURSE, FOR IN RECENT MONTHS IT HAS BEGUN QUIETLY TAKING MEASURES TO CORRECT PAST ERRORS AND RETHINK MANY DECISIONS. FURTHERMORE, GENERAL TORRIJOS HAS RECENTLY BEGUN A PROGRAM FOR LONG-TERM PROFESSIONAL IMPROVEMENT IN PUBLIC SERVICES.

5. THE ARTICLE CONCLUDES WITH A LOOK INTO THE FUTURE, VISUALIZING A NEW ERA OF PANAMANIAN CAPITALISM, WITH IMPROVED EFFICIENCY IN THE PUBLIC SECTOR, GREATER SOCIAL CONCERN IN THE PRIVATE SECTOR, AND AN INCREASING UNDERSTANDING BY MARGINAL AREAS (READ POOR MASSES) OF THE GOVERNMENT'S EFFORTS TO MEET THEIR EXPECTATIONS WHICH HAVE BEEN FED BY SIX YEARS OF REVOLUTION AND CHANGE.

6. COMMENT: THIS ARTICLE INDICATES A CONTINUATION OF THE PRESENT TREND ON THE PART OF THE GOP TOWARD INCREASED PARTICIPATION IN NATIONAL ECONOMIC ACTIVITY. MANY LOCAL BUSINESSMEN FEEL THAT IN BUSINESS MATTERS THE GOP IS CLUMSY, INEFFICIENT AND CORRUPT, AND NOTE THAT MANY IF NOT MOST OF THE BUSINESS VENTURES WHICH THE GOP IS INVOLVED IN ARE THE LOSERS IN TODAY'S ECONOMY--THE BIG GOVERNMENT SUGAR MILLS, THE CONTADORA RESORT, THE HOTEL

PANAMA AND OTHER HOTELS, AIR PANAMA, ETC. SOME ARE  
SHOWING INCREASED RESENTMENT OVER THE GOP'S EXPANSION  
INTO AREAS OF COMPETITION WITH PRIVATE ENTERPRISE, BUT  
THE TREND NOW IS UNQUESTIONABLY TOWARD MORE SUCH EXPANSION,  
NOT LESS. EMBASSY AGREES WITH THE VIEW OF THOSE WHO  
DO NOT SEE THE BENEFITS FROM THE TREATY AS LIKELY TO BE  
SUFFICIENT TO SOLVE ALL OF PANAMA'S ECONOMIC DIFFICULTIES.  
JORDEN

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## Message Attributes

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